

Introduced by Senator Calderon

February 17, 1998

An act to amend Section 10509.6 of the Insurance Code, relating to life insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1718, as introduced, Calderon. Life insurance.

Existing law provides that every life insurer that uses an agent shall, among other things, when a replacement of insurance is involved, provide a notice delivered with the policy that the applicant has a right to an unconditional refund of all premiums, which right may be exercised within 20 days of the date of delivery of the policy. Existing law contains other provisions applicable to variable annuity contracts, variable life insurance contracts, and modified guaranteed contracts, that authorize the return of the contract during the cancellation period.

This bill would add the latter provision to the previous provisions requiring the applicant to be given notice of a right to an unconditional refund, and would change the 20-day period for the exercise of the right to obtain a refund to a 30-day period.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 10509.6 of the Insurance Code is
2 amended to read:

1 10509.6. Every life insurer that uses an agent in a life
2 insurance or annuity sale shall do the following:

3 (a) Require with, or as part of each completed
4 application for life insurance or annuity, a statement
5 signed by the agent as to whether he or she knows
6 replacement is or may be involved in the transaction.

7 (b) Where a replacement is involved:

8 (1) Require from the agent with the application for life
9 insurance or annuity: (i) a list of all of the applicant's
10 existing life insurance or annuity to be replaced, and (ii)
11 a copy of the replacement notice provided the applicant
12 pursuant to Section 10509.4. The existing life insurance or
13 annuity shall be identified by name of insurer, insured,
14 and contract number. If a number has not been assigned
15 by the existing insurer, alternative identification, such as
16 an application or receipt number shall be listed.

17 (2) Send to each existing life insurer a written
18 communication advising of the replacement or proposed
19 replacement and the identification information obtained
20 pursuant to this section and a policy summary, contract
21 summary, or ledger statement containing policy data on
22 the proposed life insurance or annuity. Cost indices and
23 equivalent level annual dividend figures need not be
24 included in the policy summary or ledger statement. This
25 written communication shall be made within three
26 working days of the date the application is received in the
27 replacing insurer's home or regional office, or the date
28 the proposed policy or contract is issued, whichever is
29 sooner.

30 (3) Every existing life insurer or the insurer's agent
31 that undertakes a conservation shall, within 20 days from
32 the date the written communication plus the materials
33 required in subdivisions (1) and (2) are received by the
34 existing insurer, furnish the policyowner with a policy
35 summary for the existing life insurance or ledger
36 statement containing policy data on the existing policy or
37 annuity. Information relating to premiums, cash values,
38 death benefits, and dividends, if any, shall be computed
39 from the current policy year of the existing life insurance.
40 The policy summary or ledger statement shall include the

1 amount of any outstanding indebtedness, the sum of any
2 dividend accumulations or additions, and may include
3 any other information that is not in violation of any
4 regulation or statute. Cost indices and equivalent level
5 annual dividend figures need not be included. When
6 annuities are involved, the disclosure information shall be
7 that in the contract summary.

8 The replacing insurer may request the existing insurer
9 to furnish it with a copy of the summaries or ledger
10 statement, which shall be within five working days of the
11 receipt of the request.

12 (c) The replacing insurer shall maintain evidence of
13 the “notice regarding replacement,” the policy summary,
14 the contract summary and any ledger statements used,
15 and a replacement register, cross-indexed by replacing
16 agent and existing insurer to be replaced. The existing
17 insurer shall maintain evidence of policy summaries,
18 contract summaries, or ledger statements used in any
19 conservation. Evidence that all requirements were met
20 shall be maintained for at least three years.

21 (d) The replacing insurer shall provide in its policy or
22 in a separate written notice which is delivered with the
23 policy that the applicant has a right to an unconditional
24 refund of all premiums paid which right may be exercised
25 within a period of ~~20~~ 30 days commencing from the date
26 of delivery of the policy. *In the case of variable annuity*
27 *contracts, variable life insurance contracts, and modified*
28 *guaranteed contracts, return of the contract during the*
29 *cancellation period shall entitle the owner to a refund of*
30 *account value and any policy fee paid for the policy. The*
31 *account value and policy fee shall be refunded by the*
32 *insurer to the owner within 30 days from the date that the*
33 *insurer is notified that the owner has canceled the policy.*